

Message Text

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ACTION NEA-12

INFO OCT-01 EUR-25 IO-13 ADP-00 CIAE-00 PM-07 H-02 INR-10

L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

EB-11 COME-00 OMB-01 AID-20 TRSE-00 SIL-01 LAB-06

CEA-02 CIEP-02 RSR-01 /159 W
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FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 2787

DIA

INFO AMEMBASSY AMMAN

AMCONSUL DHAHRAN

AMEMBASSY LONDON

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY PARIS

AMEMBASSY ROME

USCINCEUR

USMISSION USUN NEW YORK

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E. O. 11652: N/ A

TAGS: EGEN, LE, SY

SUBJECT: LEBANESE ECONOMY MARKING TIME

REF: BEIRUT 5959, 6759

SUMMARY; LEBANESE ECONOMY CURRENTLY DRIFTING SOMEWHERE BETWEEN
75 AND 90 PERCENT OF NORMAL AWAITING REOPENING OF
BORDER CLOSED MAY 8 BY SYRIA AND NEW GOVERNMENT.
ECONOMIC ACTIVITY APPARENTLY SUSTAINED THUS FAR BY
BELIEF THAT THESE PROBLEMS WILL BE RESOLVED SHORTLY BUT
IT VERY DOUBTFUL MATTERS CAN DRIFT FOR ANOTHER MONTH
WITHOUT CAUSING MORE SERIOUS STRAINS. END SUMMARY
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1. IN ABSENCE STATISTICS, READINGS NECESSARILY IMPRESSIONISTIC BUT IT CLEAR THAT MAJOR ECONOMIC DAMAGE THUS FAR AVOIDED EXCEPT FOR TOURIST SECTOR, WHICH SUFFERING BUT HOPING FOR COMEBACK. IT APPEARS THAT BASIC CONFIDENCE IN ECONOMY HAS SURVIVED TO DATE. LABOR LEADERS REPORT NO LAYOFFS SO FAR. CONSUMPTION LOOKS NORMAL (ALLOWING FOR LOSS OF PORTION OF TOURIST PURCHASES), DURABLE GOODS SECTOR HEALTHY BUT MAY BE EXPERIENCING SOME NEGLIGIBLE PRICE EROSION, INVESTMENT CAUTIOUS BUT CONTINUING, FINANCIAL SECTOR SOUND BUT LIKELY TO BE AMONG FIRST TO SHOW SIGNS OF STRAIN IF POLITICAL STALEMATE CONTINUES ANOTHER MONTH. BANKERS ACCOMMODATING SLOWER PAYMENTS AND REQUESTS FOR CREDIT EXTENSION BUT REPORT CONTINUED CAPITAL INFLOW ALBEIT AT DIMINISHED RATE. LEBANESE POUND KEPT FROM APPRECIATING BEYOND LL 2.50 TO \$1 ONLY BY OCCASIONALLY HEAVY CENTRAL BANK INTERVENTION. STOCK MARKET DRIFTING WITH LITTLE NET CHANGE SINCE MAY REOPENING.

2. AS IN OUR 5959, MAJOR PROBLEM AREAS REMAIN TOURISM, CONSTRUCTION AND FOREIGN TRADE:

A. TOURISM -- WESTERN TOURISM BELOW NORMAL AS EXPECTED WHILE START OF ARAB TOURIST SEASON DELAYED, IN PART, PRESUMABLY PENDING CLARIFICATION SECURITY SITUATION HERE. SYRIAN AND APPARENTLY IRAQI BOYCOTT ALSO FACTORS. SOME ANALYSTS OF OPINION ECONOMY'S PERFORMANCE WILL PARALLEL THAT OF TOURISM.

B. CONSTRUCTION -- WITH SYRIANS GONE, ACTIVITY AROUND 40 PERCENT OF NORMAL, BUT CONTRACTORS REPORTED RECRUITING ABROAD AND HAVE SIGNED SOME PAKISTANI WORKERS TO ONE- YEAR CONTRACTS. CONSTRUCTION EXPECTED REQUIRE TWO MONTHS TO RETURN TO NORMAL.

C. FOREIGN TRADE -- DESPITE MAY TROUBLES, LEBANESE INDUSTRIAL EXPORTS FOR MAY REPORTED AT LL 30 MILLION, DOWN ONLY SLIGHTLY FROM APRIL'S LL 34 MILLION AND LAST MAY'S LL 33 MILLION. IF THIS FIGURE CORRECT, SMALL BUT RAPIDLY- GROWING INDUSTRIAL SECTOR DOING BETTER THAN EXPECTED, MAY HAVE FOUND ALTERNATE MARKETS OR WAYS LIMITED OFFICIAL USE

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AROUND SYRIAN BLOCKADE. INDUSTRIES REPORTED STILL PRODUCING, STOCKPILING OUTPUT FOR SHIPMENT WHEN BORDER OPENS. TRANSIT TRADE REPORTED COMPLETELY BLOCKED BY BORDER CLOSURE, MERCHANDISE BEING STORED IN PARKING GARAGE NEAR PORT. ATTENDANT PORT CONGESTION LOOKS EASED THIS WEEK BUT MERCHANTS WARNING OF PRICE INCREASES TO SHIFT IMPACT OF 30-50 PERCENT CONGESTION SURCHARGES

REPORTED OUR 6759 (SENT SECSTATE ONLY).

3. US FIRMS -- WE UNDERSTAND THAT ONE- MAN OPERATIONS OF
RCA AND RAMADA INNS LEAVING AND WE CHECKING REPORT THAT
NEWLY- OPENED UNITED AIRCRAFT OFFICE MOVING TO ATHENS. WE HAVE
NO REPORTS OF OTHER US FIRMS PLANNING TO LEAVE.

4. OUTLOOK -- NEXT FEW WEEKS MAY BE DECISIVE FOR
ECONOMIC OUTLOOK FOR SECOND HALF 1973. IF BORDER REMAINS
CLOSED, BUSINESS MAY HAVE TO BEGIN ADJUSTING TO REDUCED
EXPECTATIONS BY DELAYING OR FOREGOING INVESTMENT, AND
REDUCING LABOR FORCE. IF BORDER REOPENS SOON, ON
OTHER HAND, NEAR- BOOMSPXPECTED TO RESUME QUICKLY IF
NEW GOVERNMENT AT ALL TOLERABLE, AND NO FURTHER TROUBLE
BREAKS OUT BETWEEN FEDAYEEN AND EITHER GOL OR
ISRAEL. THESE ARE ALL BIG " IFS."
DECON 6/19/74.
HOUGHTON

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